

ANNUAL REPORT
OF
MARSHALL FIELD & COMPANY

YEAR ENDED
DECEMBER 31, 1942



CORPORATE OFFICES

The Merchandise Mart
222 North Bank Drive : Chicago, Illinois

COARDS
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A notice of the annual meeting of shareholders, to be held on April 9, 1943, together with a proxy statement and form of proxy will be mailed to shareholders on or about March 9, 1943. Proxies will be solicited by the management.

MARSHALL FIELD & COMPANY

An Illinois Corporation

Founded in 1852

Incorporated in 1901

BOARD OF DIRECTORS

ALBERT B. DICK, JR.
MARSHALL FIELD
STANLEY FIELD
CHARLES Y. FREEMAN

HUGHSTON M. McBAIN
JAMES SIMPSON, JR.
ALBERT A. SPRAGUE
JOHN P. WILSON

OFFICERS

President

HUGHSTON M. McBAIN

First Vice-President

JAMES L. PALMER

Vice-Presidents

CHARLES C. BUNKER

WILBUR C. MUNNECKE*

Secretary and Treasurer

EARL KRIBBEN*

Comptroller

JOHN D. ANDERSEN

Assistant Secretaries and Assistant Treasurers

ROBERT T. GRAHAM
GERALD A. SIVAGE*

Assistant Secretaries

RALPH E. BOWERS
HOWARD M. PACKARD*

Assistant Comptroller

MILTON C. MUMFORD*

*On leave of absence for War Service.

General Counsel

MESSRS. WILSON & McILVAINE
CHICAGO

Public Accountants

MESSRS. ARTHUR ANDERSEN & CO.
CHICAGO

Transfer Agents

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
CHICAGO

Registrars

THE FIRST NATIONAL BANK OF CHICAGO
CHICAGO

GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK

BANKERS TRUST COMPANY
NEW YORK

M A R S H A L L F I E L D & C O M P A N Y

T O T H E S H A R E H O L D E R S

The Board of Directors submits this annual report for the year ended December 31, 1942.

Your Company's 1942 net profit, after interest and provision for Federal income taxes, was \$4,922,834 compared with \$5,485,942 in the preceding year. Net profit before interest and taxes was \$14,326,159 compared with \$11,802,325 in 1941. The provision for Federal income taxes was \$8,510,000 in 1942 compared with \$5,390,000 in 1941, an increase of \$3,120,000.

Comparative results for 1942 and 1941 follow:

	1942	1941
NET PROFIT BEFORE INTEREST AND FEDERAL INCOME TAXES.	\$14,326,159	\$11,802,325
DEDUCT—		
Interest charges.....	\$ 893,325	\$ 926,383
Provision for Federal income taxes.....	8,510,000	5,390,000
NET PROFIT FOR YEAR.....	<u>\$ 4,922,834</u>	<u>\$ 5,485,942</u>
DEDUCT—		
Provision for possible future decline in market value of inventories.....	2,200,000	800,000
Less: Reserves and accruals provided in prior years, no longer required.....	1,444,288	—
	<u>755,712</u>	<u>800,000</u>
Balance transferred to earned surplus.....	<u><u>\$ 4,167,122</u></u>	<u><u>\$ 4,685,942</u></u>

Net profit and dividends paid per share of preferred and common stock in each of the last two years are presented below:

	6% Cumulative Preferred (Both Series)		Common	
	Net Profit	Dividends Paid	Net Profit (After Preferred Dividend Requirements)	Dividends Paid
1942.....	\$32.82	\$6.00	\$2.07	\$1.00
1941.....	36.57	6.00	2.36	1.30

YOUR COMPANY AND THE WAR

Your Company of course is contributing to the war effort in every possible way. Currently about one-half the output of our Manufacturing Division comprises merchandise for the armed services. War contracts accounted for thirty per cent of the total shipments of the Division in 1942.

Company facilities not being used in direct support of war activities are being applied largely to the production and distribution of important civilian goods. Numerous non-essential services have been curtailed or eliminated in order to conserve materials and manpower.

At the year end, 1,776 of the Company's employees were in the armed services, compared with 607 at the end of 1941. Many other employees not engaged in war work with us have left the Company to take employment in war industries.

The War Policy Committees of the divisions have been actively engaged throughout the year in devising further means of cooperating in the war effort. Thoroughly trained civilian defense organizations have been established and equipped in all divisions. Payroll allotment plans for War Savings Bonds are in effect throughout the Company. The sale of War Savings Bonds and Stamps to customers has been promoted consistently and aggressively. The Company has purchased its full legal quota of War Savings Bonds.

The Company has participated actively in numerous organized war efforts, has contributed generously to various war relief funds, and has made sizeable promotional expenditures in support of many war activities of the Government.

OPERATING RESULTS AND FINANCIAL CONDITION

In arriving at its 1942 net profit of \$4,922,834, the Company has provided for Federal normal and surtaxes of \$1,940,000 and an excess profits tax of \$6,570,000, a total of \$8,510,000. We believe this tax provision to be adequate to cover our 1942 liability.

Sales and gross income from real estate operations in 1942 were \$122,016,644 compared with \$107,729,993 in 1941.

The Company in 1942 added \$2,200,000 to the \$800,000 set aside in 1941 in a reserve for possible future decline in market value of inventories, thus providing a reserve of \$3,000,000 at December 31, 1942.

At the year end, we closed our reserve for contingent prior years' taxes. During the year, the Company settled all of its Federal taxes for years prior to 1941. We believe that our maximum tax liability for 1941 and 1942 is adequately covered by our tax provision of \$9,033,680, which appears on the balance sheet. We have also closed or reduced the amount of several other reserve accounts which were no longer needed or the amount of which was excessive in the light of present conditions. These adjustments in tax and other reserve accounts totaled \$1,444,288.

Dividends paid during 1942 totaled \$2,843,763. Of this amount, \$900,000 applied to the two series of Preferred Shares while the remainder, \$1,943,763, covered dividends totaling \$1.00 on each Common Share outstanding. Dividends of \$0.20 in each quarter and a year-end dividend of \$0.20 were paid on the Common Shares.

M A R S H A L L F I E L D & C O M P A N Y

The Company ended the year in a very strong cash position. Cash and short-term United States Treasury obligations totaled \$13,110,950, an increase of \$4,371,582 over the December 31, 1941 figure. Receivables declined \$527,861 during the year, and were \$12,-064,315 at the year end. The reserve for doubtful accounts on December 31, 1942 was somewhat lower than a year ago, but is deemed adequate to cover such bad debt losses as may materialize on outstanding receivables. All divisions of the Company experienced favorable collections throughout 1942. Inventories at the year end were \$18,455,194, an increase of approximately 9% over the December 31, 1941 level.

On December 31, 1942, our working capital was \$23,158,624, an increase of \$1,023,708 during the year. The current ratio declined from 2.4 to 1 to 2.1 to 1, due principally to an increase of \$3,078,456 in the accrual for Federal income taxes.

No short-term borrowing was required to finance the Company's operation during the year.

Total capital expenditures for 1942 were \$1,515,112 compared with \$2,309,768 in 1941. The reduction in amount from 1941 is accounted for entirely by government restrictions upon construction and the purchase of equipment. Depreciation charges totaled \$2,423,674 in 1942. The reduction of fixed asset values during the year from \$57,785,453 to \$56,834,681 approximates in amount the difference between depreciation charges and capital expenditures.

The Company retired \$2,200,000 of its funded debt during the year. In addition to required sinking fund payments of \$1,450,000, it exercised options to retire First Mortgage Twenty-Year Sinking Fund Bonds in the amount of \$750,000. At the year end, the Company had \$24,900,000 of funded debt outstanding. Part of the debt retirement in 1942 was applied to the post-war excess profits tax credit, thus reducing to \$230,000 the amount of post-war bonds we will receive from the Government.

There were no changes in capital stock accounts or in paid-in surplus during 1942, but earned surplus was increased from \$11,839,113 to \$13,162,472. During the year, the book value per Common Share increased from \$19.97 to \$20.66.

RETAIL DIVISION

The Retail Division consists of our Chicago Store, four suburban stores in Evanston, Oak Park, Lake Forest and Chicago Heights, and Frederick & Nelson, Seattle, Washington. A small store in Watertown, South Dakota, was sold in February, 1943.

The Chicago and Suburban Stores experienced a moderate increase in sales volume in 1942. Frederick & Nelson enjoyed a substantial sales gain, due in large part to the sharp increase in industrial activity in the Seattle area.

Despite price controls and increased expenses of many kinds, traceable in a considerable degree to materially higher wage and salary levels, the Retail Division in 1942 earned higher net profits before interest and Federal income taxes.

Retail inventories generally were larger throughout 1942 than in 1941, in line with increased sales and higher prices. At the year end, stocks were only slightly higher than at

the close of 1941. We have avoided speculation in merchandise in accordance with our customary policies. We anticipate no difficulty in conforming with the inventory control regulations which become effective as of April 1, 1943.

Governmental restrictions in 1942 prevented a continuation of the remodeling program in our retail stores. Nevertheless, due partly to the many improvements effected in recent years, we have been able to maintain our stores in a sound and attractive condition. They are excellently equipped to serve our customers with comfort and efficiency for several years to come, even though improvement and remodeling activities continue to be restricted.

The departure of many of our retail employes for the armed services and into war plants created a serious manpower problem for us in 1942. By reducing the scale of certain operations and services, by employing more women, and men beyond draft age, and by improving operating efficiency, we have been able to avoid serious impairment of our service to the public.

MANUFACTURING DIVISION

The Manufacturing Division consists of a group of nine mills in North Carolina and Virginia, and one mill in Zion, Illinois. Sales offices of the division are located in New York, Chicago, and San Francisco. Our mills produce blankets, towels, bedspreads, sheets, floor coverings, rayon and woolen piece goods, hosiery, lace products, and other textile items. Among the principal products carrying our own trade-marks are Fieldcrest blankets, bedspreads and towels, Duracale, Golden Gate and Wearwell sheets and pillow cases, Karastan rugs and Zionet lace curtains.

The Manufacturing Division continued to operate in 1942 at close to capacity levels. Sales of the division reached the highest level in its history. At the year end, unfilled orders were considerably higher than at the end of 1941. Each of our mills operated profitably and the total net profit of all mills, after provision for possible adjustments on war contracts, but before interest and Federal taxes, slightly exceeded the corresponding 1941 figure.

A rising market early in the year contributed to a relatively high gross profit rate in the division during that period. As prices became stabilized, gross profit showed a downward tendency, as had been anticipated. The imposition of price ceilings and increased operating costs, resulting mainly from higher wage levels, contributed to the reduction in gross and net profit ratios which occurred in the latter months of the year.

In line with our usual policy, raw material purchases in 1942 were confined mainly to amounts necessary to cover current operating needs and advance orders. Inventories and future commitments at the year end were not excessive or beyond reasonable requirements under current conditions. Certain raw materials such as foreign cottons, rayon yarn, and various types of wool have become increasingly difficult to obtain.

Government orders, principally for the armed forces, accounted for approximately 30% of our 1942 mill shipments as compared with 11% in 1941.

REAL ESTATE DIVISION

The Real Estate Division consists of The Merchandise Mart, the Annex Office Building, and several miscellaneous properties, all located in Chicago.

The Merchandise Mart, which with its three million square feet of floor space comprises the greater part of our real estate operation, enjoyed an average occupancy during 1942 of approximately 95% as compared with 93% for 1941. At the year end, it was 98% occupied. Its operating profit in 1942 before interest and Federal taxes was the largest in its history.

The Company in 1942 leased more than a half million square feet of space in The Merchandise Mart to Federal agencies. Much of the area occupied by these agencies was made available through the relinquishment of part of the space used by our own retail organization and by contraction of commercial tenant occupancy. While the Mart suffered some loss of commercial tenants in 1942, it continues efficiently to perform its primary function as a major market center. Buyer traffic in 1942 continued at high levels.

While capital improvements in the Mart in 1942 were confined largely to revisions necessitated by leases with governmental agencies, the building has been well maintained and is in excellent physical condition.

The Annex Office Building continued its profitable operation in 1942, and had an average occupancy for the year of about 91%.

PERSONNEL

During the year 1942, Mr. Frederick D. Corley served as President and as a Director. After forty-two years of service with the Company, he resigned from both offices as of February 2, 1943. At a meeting of the Board of Directors following Mr. Corley's resignation, Mr. Hughston M. McBain, First Vice-President and General Manager of the Chicago and Suburban Stores, was elected President. Mr. McBain has been with the Company since 1922, and has managed each of its major divisions. At the same Board meeting, Mr. James L. Palmer, Vice-President and Comptroller, was elected First Vice-President; Mr. John D. Andersen, Assistant Secretary and Assistant Treasurer, was elected Comptroller. Mr. Robert T. Graham was appointed Assistant Secretary and Assistant Treasurer. Mr. Graham is temporarily performing the duties of Secretary and Treasurer in the absence of Mr. Earl Kribben, who was commissioned a Major in the United States Army near the close of 1942. In April, 1942, Mr. Ralph E. Bowers was appointed Assistant Secretary of the Company.

Mr. Wilbur C. Munnecke, Vice-President, was given a leave of absence for the duration of the war on September 1, 1942. Mr. Munnecke has assumed duties with the War Department in Washington. Mr. Austin T. Graves, who has been with the Company since 1930, and has served in a number of important capacities in the Retail Division, replaced Mr. Munnecke as General Operating Manager of the Chicago and Suburban Stores.

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In February, 1943, the resignation of Mr. Percy Wilson, Vice-President and for several years head of the Company's Real Estate Division, was accepted. Mr. Wilson resigned to devote his entire attention to his own business.

The vacancy created in the management of the Chicago and Suburban Stores by the election of Mr. McBain to the Presidency of the Company was filled on February 8, 1943 by the appointment of Mr. William S. Street as General Manager of these stores. Mr. Street has been with the Company since 1938, serving first as General Merchandise Manager and more recently as General Manager of our Frederick & Nelson store in Seattle, Washington. Mr. William H. St. Clair, who managed the Frederick & Nelson store for many years prior to his retirement to an advisory post at the end of 1942, will again assume the position of General Manager of the store.

Mr. Charles C. Bunker, Vice-President and General Merchandise Manager of the Chicago and Suburban Stores, continues in that post. Directly in charge of merchandising activities are five Merchandise Managers: Mr. David W. Davidson, Mr. Harold V. Glen, Mr. Clarence T. Gregg, Mr. Egil E. Krogh and Mr. Harold J. Nutting. Each of these men has carried important merchandising responsibilities in the Retail Division for many years.

Mr. Luther H. Hodges continues as General Manager of the Manufacturing Division.

At the annual meeting of shareholders to be held on April 9, 1943, Mr. William B. Simpson and Mr. James L. Palmer will be nominated to fill the vacancies on the Board of Directors created by the resignation of Mr. Frederick D. Corley and the commissioning of Mr. James Simpson, Jr. as an officer in the United States Marine Corps. Mr. William B. Simpson is a brother of the late Mr. James Simpson, former President and Chairman of the Board of the Company.

GENERAL COMMENTS

In common with most other business organizations, your Company faces in 1943 a number of serious problems. Shortages of consumer goods are beginning to affect our retail operations significantly, and the maintenance of retail sales volume is expected to become increasingly difficult. Mainly as a result of governmental controls, it is probable that gross profit margins in both the Retail and Manufacturing Divisions will shrink below the levels of the past year or two, during which we have benefited in some measure from rising prices.

The manpower problem is expected to become steadily more acute, but we have reasonable confidence in our ability to surmount it.

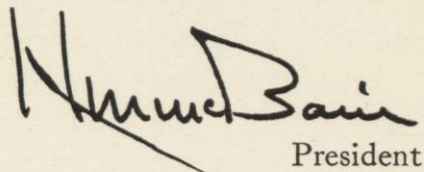
While the abnormalities of the coming war year probably will have certain adverse effects, the Company enjoys at present a strong financial position. It has an experienced and skilled organization. Its varied activities provide a substantial degree of risk diversification. Although we anticipate certain unfavorable trends, we look to the future with confidence, and will continue to operate the Company, to the best of our ability, to serve the needs of a

M A R S H A L L F I E L D & C O M P A N Y

nation at war. In so doing, we shall likewise serve the needs of our shareholders, our employes and our customers.

Our organization has been through a most trying year. We are proud of its record of performance and are deeply grateful to all of our employes for the loyalty, industry, and resourcefulness they have displayed in overcoming difficulties.

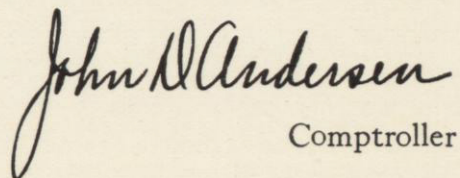
By order of the Board of Directors,


President

March 1, 1943

To the Shareholders of
Marshall Field & Company:

The financial statements contained in this report are correct, to my best knowledge and belief.


Comptroller

March 1, 1943

MARSHALL FIELD & COMPANY

ARTHUR ANDERSEN & Co.

120 SOUTH LA SALLE STREET
CHICAGO

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of December 31, 1942, and the statements of profit and loss, surplus and reserves for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss, surplus and reserves present fairly the position of Marshall Field & Company at December 31, 1942, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
February 15, 1943.

Statement of Profit and Loss For the Year Ended December 31, 1942

PROFIT FROM RETAIL AND MANUFACTURING OPERATIONS:

Net sales to customers.....	\$118,809,638	
Cost of sales and operating expenses.....	105,233,769	\$13,575,869

PROFIT FROM REAL ESTATE OPERATIONS:

Rental income from tenants.....	\$ 3,207,006	
Operating expenses, less rentals charged to Retail and Manufacturing Divisions.....	2,456,716	750,290

Profit from operations before interest charges, etc.		\$14,326,159
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INTEREST CHARGES ON FUNDED DEBT:

First Mortgage Serial Bonds.....	\$ 392,500	
First Mortgage Twenty-Year Sinking Fund Bonds.....	500,825	893,325

Profit before Federal income taxes.....		\$13,432,834
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PROVISION FOR FEDERAL INCOME TAXES:

Normal tax and surtax.....	\$ 1,940,000	
Excess profits tax.....	7,300,000	

	9,240,000	
Less: Post-war credit (of which \$500,000 was realized by debt retirement) .	730,000	8,510,000

NET PROFIT FOR THE YEAR.....		\$ 4,922,834
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DEDUCT: Provision for possible future decline in market value of inventories.....

	\$ 2,200,000	
Less: Reserves and accruals provided in prior years, no longer required.....	1,444,288	755,712

Balance transferred to earned surplus.....		\$ 4,167,122
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NOTES:

- (1) Provisions for depreciation of buildings and equipment and amortization of leaseholds, included in cost of sales and operating expenses, amount to \$2,415,495.
- (2) Provisions for taxes other than Federal income taxes, included in cost of sales and operating expenses, amount to \$4,384,882.

BALANCE SHEET—

ASSETS

CURRENT ASSETS:

Cash.....	\$ 6,879,501
Short-term United States Treasury obligations, at cost.....	6,231,449

Receivables—

Accounts receivable from customers.....	\$12,074,859	
Rents, claims and miscellaneous receivables.....	587,447	
	<u>\$12,662,306</u>	
Less—Reserve for doubtful accounts, etc.....	597,991	12,064,315

Merchandise inventories, priced at the lower of cost or market
(see Note)—

Retail Division merchandise.....	\$12,442,917	
Manufacturing Division merchandise, including \$4,528,516 of raw materials and work in process.....	6,012,277	18,455,194

TOTAL CURRENT ASSETS..... \$43,630,459

PREPAID INSURANCE, SUPPLY INVENTORIES, ETC..... 1,425,260

POST-WAR REFUND OF EXCESS PROFITS TAX..... 230,000

FIXED ASSETS:

Classification	Cost	Reserves for Depreciation and Amortization	Net	
Retail and manufacturing properties, etc.—				
Land.....	\$16,249,063	\$ —	\$16,249,063	
Leaseholds.....	725,846	106,957	618,889	
Buildings and building equipment.....	21,923,796	11,044,915	10,878,881	
Equipment.....	13,301,717	7,174,185	6,127,532	
Merchandise Mart—				
Air rights and land.....	2,907,462	—	2,907,462	
Building and equipment.....	28,466,831	8,413,977	20,052,854	
TOTAL FIXED ASSETS.....	<u>\$83,574,715</u>	<u>\$26,740,034</u>	<u>\$56,834,681</u>	56,834,681
GOODWILL, TRADE-MARKS, ETC.....				1
				<u>\$102,120,401</u>

NOTE: Substantially all of the Retail Division inventories are priced at the lower of cost or market through the reduction, by departments, of total retail inventory values by application of mark-up ratios. The Manufacturing Division inventories are priced by individual items at the lower of cost or market. In general, cost prices represent purchase costs of specific identified lots for raw materials (lower

DECEMBER 31, 1942

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—

Trade creditors.....	\$ 3,466,101	
Sundry accounts payable.....	822,399	
Dividend payable on Common Shares.....	388,753	\$ 4,677,253

Accruals—

Salaries and wages.....	\$ 1,578,729	
Local and miscellaneous taxes.....	2,870,149	
Interest on funded debt.....	248,500	
Other accruals.....	663,524	
Federal income and excess profits taxes.....	9,033,680	14,394,582

Current sinking fund requirements and serial bond maturities.....	1,400,000	
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TOTAL CURRENT LIABILITIES..... \$20,471,835

FUNDED DEBT:

First Mortgage Serial Bonds—

Series One and Series Two, 3%, maturing \$500,000 semi-annually from May 1, 1943 to May 1, 1955, inclusive; current maturities of \$1,000,000 included in current liabilities.....	\$11,500,000	
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First Mortgage Twenty-Year Sinking Fund Bonds, 3.6%, semi-annual sinking fund payments required from February 1, 1943 to February 1, 1959; current requirement of \$400,000 included in current liabilities.....

12,000,000 23,500,000

RESERVE FOR POSSIBLE FUTURE DECLINE IN MARKET VALUE OF INVENTORIES..... 3,000,000

CAPITAL STOCK AND SURPLUS:

Preferred shares—

6% Cumulative Preferred Shares, of \$100 par value; redeemable at \$110 per share and accrued dividends; convertible until January 1, 1947 at the rate of 3.2608 Common Shares for each preferred share—

Authorized and outstanding 95,508 shares..... \$ 9,550,800

6% Cumulative Preferred Shares, Second Series, of \$100 par value, redeemable at \$105 per share and accrued dividends; convertible until January 1, 1952 at the rate of 3½ Common Shares for each preferred share—

Authorized and outstanding 54,492 shares..... 5,449,200 \$15,000,000

Common Shares—

Authorized 4,000,000 shares of no par value, of which 502,154 shares are reserved for conversion of preferred shares; and of which 180,000 shares may be sold to officers or employees without first offering such shares to the shareholders.

Issued and outstanding 1,943,763 shares, at stated value.....	16,818,815	
Paid-in surplus.....	10,167,279	
Earned surplus.....	13,162,472	55,148,566
		<u>\$102,120,401</u>

(Note continued)

than current costs) and substantially the average of recent manufacturing costs for work in process and finished goods. Market prices are considered to be the lower of replacement costs or selling prices less allowance for selling expenses.

M A R S H A L L F I E L D & C O M P A N Y

Statement of Surplus and Reserves
For the Year Ended December 31, 1942

Earned Surplus

BALANCE AT DECEMBER 31, 1941.....		\$11,839,113
NET PROFIT FOR THE YEAR less net additions to reserves, as indicated in the Statement of Profit and Loss.....		4,167,122
		<u>\$16,006,235</u>
DEDUCT:		
Cash dividends declared on—		
6% Cumulative Preferred Shares (\$6.00 per share).....	\$ 573,048	
6% Cumulative Preferred Shares, Second Series (\$6.00 per share).....	326,952	
Common Shares (\$1.00 per share).....	1,943,763	2,843,763
		<u>\$13,162,472</u>
BALANCE AT DECEMBER 31, 1942.....		

Paid-In Surplus

BALANCE AT DECEMBER 31, 1941 AND 1942.....	<u>\$10,167,279</u>
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Reserve for Loss on Subleases

BALANCE AT DECEMBER 31, 1941.....		\$ 650,458
DEDUCT:		
Excess of rentals, taxes, insurance, etc., paid on sub-leased properties during 1942 over rentals received.....	\$ 65,287	
Loss on assignment of leases.....	374,449	
Balance transferred to "Reserves and accruals provided in prior years, no longer required". (See Statement of Profit and Loss).....	210,722	650,458
		<u>\$ —</u>
BALANCE AT DECEMBER 31, 1942.....		

Reserve for Contingent Prior Years' Taxes

BALANCE AT DECEMBER 31, 1941.....		\$ 600,000
Refunds on prior years' taxes.....		15,977
		<u>\$ 615,977</u>
DEDUCT:		
Payments applicable to taxes of prior years.....	\$ 6,011	
Balance transferred to "Reserves and accruals provided in prior years, no longer required". (See Statement of Profit and Loss).....	609,966	615,977
		<u>\$ —</u>
BALANCE AT DECEMBER 31, 1942.....		

